fallen more rapidly than interstate long-distance revenues if the first sentence in this paragraph is correct, or Hall must be dividing by different measures of conversation minutes. If R are interstate long-distance revenues and A are interstate access charges and R is increasing more rapidly than A, then dividing R and A by the same M, conversation minutes, must result in A/M falling more rapidly (or rising less rapidly) than R/M. We know of no other possible arithmetic conclusion! Since the subscriber-line charges had essentially reached their cap by 1990, the slower increase in interstate access charges must be due to more rapid productivity growth in the local-exchange sector than in the long-distance sector. Given that the opportunities for technological change are greater in the long-distance sector and that the local-exchange sector has had less entry than the long-distance sector, we are frankly surprised at this result.

24. Hall also criticizes us for relying on Census data for access charge revenues that he claims are only drawn from a "sample."[30] Surely, Hall has used many data series that are derived from a sample of the population he is studying, but he could check the validity of our assertions against another source – the FCC's Statistics of Communications Common Carriers. This source also reveals that interstate access charges are falling more rapidly than are all long-distance revenues. We include special access in the access category, but not end-user charges. In addition, access charge revenues are falling more rapidly than are the long-distance carriers margins over these charges. There was no error in making these analyses.

25. We conclude that Hall has been unable or unwilling to show the level of residential long-distance rates from his confidential data sources and that such would show that residential rates remain far above business rates and have not fallen nearly as rapidly as have business rates. Entry by an RBOC into in-region interLATA services would surely drive down these residential rates as SNET entry has in Connecticut, thereby creating large improvements in consumer welfare.

IV. THE EFFECTS OF ENTRY IN CONNECTICUT

26. The expert economists for the Big Three all imply that SNET's entry into long distance did not increase consumer welfare even though none disputes our estimates. Hall states "The

Connecticut long-distance customer has gained no meaningful advantage from SNET's control of a long-distance carrier in the market."[31] We do not know how Hall defines "meaningful," but increased consumer choice, lower prices and increased consumer welfare must not, in his view, be meaningful.

27. It is surprising that the affiants offer such a biased view of the facts in Connecticut. Hall's conclusion that consumers have not benefited from reduced prices is astonishing. The most surprising part of the affiants' views of the Connecticut experience is that they do not refer to the series of price declines that occurred because of SNET's entry into interLATA markets. As we showed in our affidavit, AT&T reduced its intraLATA rate to 5 cents a minute in response to SNET's entry and subsequently SNET changed to one-second billing. AT&T had not set an intraLATA rate of 5 cents a minute anywhere else in the US.

[30] Hall Affidavit at paragraph 207.
[31] Hall Affidavit at paragraph 241.

Table 2

Available Discount Programs (Including SNET)

Carrier	Name of Plan	Terms
AT&T	One Rate Plus	10 cents per minute at any time $4.95 per month
MCI	MCI One	12 cents per minute at any time or purchases over $25 per month, 15 cents per minute for first $25, $5 minimum
Sprint	Sprint Sense Day Plan	15 cents per minute at any time, no fee, no minimum purchase
WorldCom	Home Advantage	25 cents peak, 10 cents off peak.
Wiltel		10.9 cents per minute at any time, no fee, no minimum
Telco Communications	Long-Distance Wholesale Club	9.5 cents per minute plus $4.95 per month
VarTec Telecom	Dime Line	10 cents per minute, 3 minute minimum, $5 per month
Frontier		10.9 cents per minute at any time, no fee, no minimum
SNET	Simple Solutions	23 cents peak, 13 cents per minute off peak, 10 percent off total from $25 to $75, 15% off for a bill over $150.
SNET	United Rates	15 cents per minute any time

28. Hall[32] states that SNET is not a competitive interstate carrier in Connecticut.[33] A full set of plans available to Connecticut customers, including SNET plans as well as those included by Hall is described in Table 2. Comparison of the SNET offerings with those of other IXCs shows

[32] Hall Affidavit at paragraph 241.

[33] Hall Affidavit at paragraph 75, Bernheim, Ordover and Willig Affidavit at paragraph 252.

that he is mistaken. Clearly the SNET United Rates plan is as competitive as the Sprint Sense Day Plan and the terms of SNET Simple Solutions are very similar to those of WorldCom's Home Advantage. Hall does not refer to these other carriers as uncompetitive.

29. Although SNET's national rivals are constrained in their ability to respond to SNET competition through their interstate rates, they are not restrained from responding through their intrastate rates.[34] In fact, as noted above, apparently in response to SNET entry into the interLATA market AT&T introduced a five cents per minute rate in Connecticut. The reduction in intrastate rates, by AT&T as well as by SNET, are certainly major benefits from SNET entry and new in-region competition. Although complete information on rates and minutes of use in Connecticut is not available, a reasonable estimate of the consumer benefit can be made from information on intrastate revenues and AT&T's known price plans. There are three components to this estimate. The first is the benefit to SNET customers from lower intraLATA rates. The second component results from SNET's use of one-second billing as opposed to the one-minute billing used by the Big Three. The third component is the benefit to AT&T customers who switched from SNET and presumably obtained the $0.05 per minute rate.

30. A reasonable estimate of intrastate minutes of use can be obtained by dividing SNET intrastate toll revenue by an assumed rate of $0.20 per minute for 1993.[35] We use 1993 because it is prior to SNET's entry into interLATA and AT&T's entry into intraLATA. Although SNET's intraLATA Minutes Of Use is not available, its annual reports do give the percent changes in these values. Starting from a assumed $0.20 per minute rate in 1993 and assuming that all intraLATA toll was on SNET's network at that time, Table 3 shows the effect on rates and minutes of use of SNET competition.

[34] Hall Affidavit at paragraph 241; Pitsch Affidavit at paragraph 28. We note that this disadvantage of the Big Three would disappear if there was widespread entry of LECs into the interstate market.

[35] Because the intraLATA MOU is calculated as revenue/ assumed rate, the benefit calculation is very insensitive to the assumed rate. Starting with a higher(lower) rate results in a higher(lower) price change spread over a smaller(larger) number of minutes.

Table 3
Analysis of Benefits of SNET Entry

		31-Dec-96		31-Dec-95		31-Dec-94		31-Dec-93
IntraLATA Revenue (Millions)	$	251.20	$	266.40	$	295.40	$	339.80
Total Access Lines		2,174,321		2,084,309		2,020,309		
SNET Presubscribed		758,000		304,391		223,844		
SNET Share of Presubscribed		34.86%		14.60%		11.08%		
Percent Change in Revenue		-5.71%		-9.82%		-13.07%		
Percent Change in MOU		-1.00%		-2.00%		-2.00%		
Implied IntraLATA MOU		1,615,402		1,631,720		1,665,020		1,699,000
Percent Change in Rate		-4.75%		-7.98%		-11.29%		
Implied Rate		$0.156		$0.163		$0.177		$0.200
SNET Customers, Rate (1)	$	71,880,481						
SNET Customers, One Sec (2)	$	43,239,024						
AT&T Customers, 5 Cents (3)	$	12,539,639						
Total Annual Benefit	$	127,659,144						
Benefit per Access Line	$	58.71						

Source: SNET Annual Reports, various years.

31. SNET annual reports indicate that its effective intraLATA rates declined 11 percent, 8 percent and 5 percent in 1994, 1995 and 1996 respectively. The rate of decline in 1994 and 1995 was greater than that found by Hall in the national interLATA market. It is readily apparent that even as it gains in the share of interstate prescribed lines, SNET is losing share of the intraLATA market along with its reduction in intraLATA rates. The benefit to SNET customers from the reported changes in intrastate rates is approximately $72 million in spite of the reduction in minutes of use served on SNET's network. The benefit to non-SNET customers, whom we assume avail themselves of AT&T's $0.05 per minute rate is approximately $12 million.

32. There is also a substantial benefit to SNET customers[36] from the use of one second billing which the described SNET plans use on both intrastate and interstate calls. If the length of a call is distributed uniformly over the fractions of a minute, using one second billing will result in an average of one half minute less per call being billed to customers. Assuming rates of only $0.15 per minute for both interstate and intrastate calls the consumer benefit to SNET customers is approximately $43 million.

[36] We assume only SNET customers presubscribed to SNET interstate receive this benefit.

33. The total benefit from changes in intraLATA rates is $127 million per year or almost $58 dollars per year for every access line in Connecticut. This gain in consumer welfare is due only to changes in intraLATA rates, where IXC reactions to SNET long distance entry are effected. We have not provided any estimate of the benefit provided by the reduction in interstate rates to SNET interstate customers though it must be substantial to elicit such a strong reaction as the 5 cents intraLATA rate offered by AT&T. Nor have we estimated the welfare gains from the growth in calling induced by these lower rates.

34. Pitsch, Hall and Bernheim, Ordover and Willig note that SNET has chosen not to renew its contract to provide AT&T with billing, an unregulated service. They seem to imply that this was illegal, anti-competitive or somehow explains SNET success.[37] It is hard to imagine how such a choice by a competitive supplier in a competitive market can be considered non-competitive. In fact, cooperation between competitors on such services could easily be construed as a means of excluding additional competitors.

V. Lessons From Other Industries

35. Pitsch and the offer affiants dismiss our analysis of entry in four other markets as meaningless for describing the impacts of Ameritech's prospective entry into interLATA. First, they state that the interLATA market is already competitive, an analysis we dispute. Second, Pitsch claims that the UK cellular, and U.S. luxury car markets were not comparable since these markets contained only two competitors.[38] In fact, the U.S. auto industry was characterized by a domestic Big Three with one or more fringe players, much like the current long distance industry, until the Japanese came with a vengeance. Chrysler had reduced its offerings of larger cars in the 1980s and was but a marginal player in the luxury segment. Nevertheless, our analysis would be unchanged if these contained three competitors, but the same conditions. What differentiates markets is not simply the number of principal competitors, but the entry conditions as well. Thus,

[37] Pitsch Affidavit at paragraph 27, Hall Affidavit at paragraph 75, Bernheim, Ordover and Willig Affidavit at paragraph 63.

[38] Pitsch Affidavit at paragraph 24-25.

we picked four stable oligopolies, two conditioned by government-imposed entry conditions – UK cellular and Chile long distance – and two characterized by strategic positioning – automobiles and steel and asked what happened when a significant new competitor appeared. The interLATA market has had a regulatory constraint preventing the emergence of significant new competitors (the interLATA prohibition on the RBOCs). Moreover, there is a clear evidence of anti-competitive strategic interaction in the U.S. interLATA market and a lack of entry. Therefore, we contend these examples are exactly relevant.

VI. CONCLUSION

36. Affiants for AT&T and MCI have criticized us for failing to understand the degree of competition that already exists in the long-distance market. We show, however, that this "competition" takes the form of non-price rivalry, leaving residential customers to pay as much as 11 cents per minute over access charges as recently as 1995. Since the TSLRIC for long distance service is in the range of 1 to 1.5 cents, new entry by a major local exchange carrier, such as SNET, will surely drive residential rates down substantially, forcing the existing carriers to curtail much of their non-price rivalry, such as excessive expenditures on marketing and clever, but confusing pricing plans. As a result, residential consumers will benefit enormously from Ameritech's entry into in-region interLATA services.

1

Appendix 1

Table 1

Least Expensive Long Distance Plan Assuming All Off-Peak Minutes

Carrier	Plan	Flat Fee	Per Minute	Conditions	Total for 10 Minutes	Total for 50 minutes	Total for 100 Minutes	Total for 150 Minutes
AT&T	One Rate Plus	$4.95	$0.100		$5.95	$9.95	$14.95	$19.95
MCI	MCI One		$0.150	First 25 minutes	$1.50	$6.75	$12.75	$18.75
			$0.120	Additional minutes				
Sprint	Sprint Sense Day Plan		$0.150		$1.50	$7.50	$15.00	$22.50
WorldCom	Home Advantage		$0.250	Peak	$1.00	$5.00	$10.00	$15.00
			$0.100	Off-peak				
Wiltel			$0.109		$1.09	$5.45	$10.90	$16.35
Telco Communications	Long-Distance Wholesale Club	$4.95	$0.095		$5.90	$9.70	$14.45	$19.20
VarTec Telecom	Dime Line	$5.00	$0.100	3 minute minimum	$6.00	$10.00	$15.00	$20.00
Frontier			$0.109		$1.09	$5.45	$10.90	$16.35
SNET	Simple Solutions		$0.230	Peak	$1.30	$6.50	$13.00	$19.50
			$0.130	Off-peak				
				10% off from total between $25 and $75 and 15% off bill over $150				
SNET	United Rates		$0.150		$1.50	$7.50	$15.00	$22.50

Appendix 1

Table 2

Least Expensive Long Distance Plan Assuming Half Peak and Half Off-Peak Minutes

Carrier	Plan	Flat Fee	Per Minute	Conditions	Total for 10 Minutes	Total for 50 minutes	Total for 100 Minutes	Total for 150 Minutes
AT&T	One Rate Plus	$4.95	$0.100		$5.95	$9.95	$14.95	$19.95
MCI	MCI One		$0.150	First 25 minutes	$1.50	$6.75	$12.75	$18.75
			$0.120	Additional minutes				
Sprint	Sprint Sense Day Plan		$0.150		$1.50	$7.50	$15.00	$22.50
WorldCom	Home Advantage		$0.250	Peak	$1.75	$8.75	$17.50	$26.25
			$0.100	Off-peak				
Wiltel			$0.109		$1.09	$5.45	$10.90	$16.35
Telco Communications	Long-Distance Wholesale Club	$4.95	$0.095		$5.90	$9.70	$14.45	$19.20
VarTec Telecom	Dime Line	$5.00	$0.100	3 minute minimum	$6.00	$10.00	$15.00	$20.00
Frontier			$0.109		$1.09	$5.45	$10.90	$16.35
SNET	Simple Solutions		$0.230	Peak	$1.80	$9.00	$18.00	$25.05
			$0.130	Off-peak				
				10% off from total between $25 and $75 and 15% off bill over $150				
SNET	United Rates		$0.150		$1.50	$7.50	$15.00	$22.50

Appendix 1

Table 3

Least Expensive Long Distance Plan Assuming All Peak Minutes

Carrier	Plan	Flat Fee	Per Minute	Conditions	Total for 10 Minutes	Total for 50 minutes	Total for 100 Minutes	Total for 150 Minutes
AT&T	One Rate Plus	$4.95	$0.100		$5.95	$9.95	$14.95	$19.95
MCI	MCI One		$0.150 $0.120	First 25 minutes Additional minutes	$1.50	$6.75	$12.75	$18.75
Sprint	Sprint Sense Day Plan		$0.150		$1.50	$7.50	$15.00	$22.50
WorldCom	Home Advantage		$0.250 $0.100	Peak Off-peak	$2.50	$12.50	$25.00	$37.50
Wiltel			$0.109		$1.09	$5.45	$10.90	$16.35
Telco Communications	Long-Distance Wholesale Club	$4.95	$0.095		$5.90	$9.70	$14.45	$19.20
VarTec Telecom	Dime Line	$5.00	$0.100	3 minute minimum	$6.00	$10.00	$15.00	$20.00
Frontier			$0.109		$1.09	$5.45	$10.90	$16.35
SNET	Simple Solutions		$0.230 $0.130	Peak Off-peak 10% off from total between $25 and $75 and 15% off bill over $150	$2.30	$11.50	$23.00	$31.05
SNET	United Rates		$0.150		$1.50	$7.50	$15.00	$22.50

2

Appendix 2

Table 1

CALCULATION OF AVERAGE REVENUE PER MINUTE, 1990-95

	Residential Expenditures (bill. $)			Business Expenditures (bill .$)			Total Expenditures (bill. $)		
	Total	InterLATA	IntraLATA	Total	InterLATA	IntraLATA	Total	InterLATA	IntraLATA
1990	20.5	14.4	6.2	36.3	25.4	10.9	56.8	42.6	14.2
1991	21.5	15.3	6.2	35.2	25.0	10.2	56.7	42.5	14.2
1992	24.0	17.3	6.7	32.0	23.0	9.0	56.0	42.0	14.0
1993	24.9	18.2	6.7	33.0	23.4	9.6	57.9	43.4	14.5
1994	29.6	21.9	7.7	32.4	24.4	8.0	62.0	46.5	15.5
1995	30.2	22.7	7.6	34.0	25.5	8.5	64.2	48.2	16.1

Sources: Total Expenditures = Long-Distance Revenues (Census) - International Billed Revenues(FCC)
- International Settlement Receipts (FCC)
Business/Residential Split based on Census data for Long-Distance Revenues
IntraLATA is Assumed to Equal 0.30 of Total in 1990, Declining to 0.25 in 1995

	Residential Rates ($/min.)			Business Rates ($/min.)			Average Rates ($/min.)		
	Total	InterLATA	IntraLATA	Total	InterLATA	IntraLATA	Total	InterLATA	IntraLATA
1990	0.148	0.160	0.125	0.173	0.187	0.146	0.163	0.189	0.115
1991	0.146	0.158	0.123	0.158	0.171	0.133	0.153	0.177	0.111
1992	0.153	0.166	0.128	0.135	0.147	0.113	0.142	0.173	0.106
1993	0.150	0.163	0.124	0.131	0.149	0.117	0.139	0.166	0.106
1994	0.168	0.182	0.137	0.121	0.144	0.094	0.140	0.160	0.110
1995	0.161	0.175	0.130	0.120	0.130	0.097	0.136	0.148	0.110

Sources: InterLATA Average Rate -- Hall Affidavit; InterLATA and IntraLATA Residential Rate -- PNR.
(IntraLATA Business Rate Estimated by Assuming Businesses and Residences Have Same
Ratio of IntraLATA to InterLATA Rates)

	Residential Minutes (billions)			Business Minutes (billions)			Total Minutes (billions)		
	Total	InterLATA	IntraLATA	Total	InterLATA	IntraLATA	Total	InterLATA	IntraLATA
1990	138.9	89.7	49.2	210.3	135.7	74.5	349.2	225.4	123.8
1991	147.5	96.5	50.9	223.3	146.1	77.0	370.8	240.3	127.9
1992	156.6	103.8	52.6	237.1	157.2	79.6	393.7	242.8	132.2
1993	166.3	111.8	54.4	251.7	157.2	82.3	418.0	261.6	136.7
1994	176.6	120.3	56.2	267.3	169.2	85.1	443.9	290.6	141.2
1995	187.5	129.4	58.1	283.8	195.9	87.9	471.3	325.3	146.0

Sources: Calculations for 1995 = Revenues/Rates for Each Category.
Other Years Calculated in Response to Assumptions Concerning Growth Rates of Total
Minutes for Residences and Total Minutes for Residences (Inputs in Boxes)

Annual Growth Rate (1990-95)	$\boxed{0.060}$	0.073	0.033	$\boxed{0.060}$	0.073	0.033	0.060	0.073	0.033

Appendix 2

Table 2

CALCULATION OF AVERAGE REVENUE PER MINUTE, 1990-95

	Residential Expenditures (bill. $)			Business Expenditures (bill .$)			Total Expenditures (bill. $)		
	Total	InterLATA	IntraLATA	Total	InterLATA	IntraLATA	Total	InterLATA	IntraLATA
1990	20.5	14.4	6.2	36.3	25.4	10.9	56.8	42.6	14.2
1991	21.5	15.3	6.2	35.2	25.0	10.2	56.7	42.5	14.2
1992	24.0	17.3	6.7	32.0	23.0	9.0	56.0	42.0	14.0
1993	24.9	18.2	6.7	33.0	23.4	9.6	57.9	43.4	14.5
1994	29.6	21.9	7.7	32.4	24.4	8.0	62.0	46.5	15.5
1995	30.2	22.7	7.6	34.0	25.5	8.5	64.2	48.2	16.1

Sources: Total Expenditures = Long-Distance Revenues (Census) - International Billed Revenues(FCC)
- International Settlement Receipts (FCC)
Business/Residential Split based on Census data for Long-Distance Revenues
IntraLATA is Assumed to Equal 0.30 of Total in 1990, Declining to 0.25 in 1995

	Residential Rates ($/min.)			Business Rates ($/min.)			Average Rates ($/min.)		
	Total	InterLATA	IntraLATA	Total	InterLATA	IntraLATA	Total	InterLATA	IntraLATA
1990	0.180	0.201	0.145	0.156	0.165	0.139	0.164	0.189	0.118
1991	0.171	0.190	0.138	0.146	0.155	0.127	0.154	0.177	0.113
1992	0.173	0.191	0.140	0.127	0.136	0.109	0.143	0.173	0.107
1993	0.162	0.178	0.131	0.126	0.138	0.115	0.139	0.166	0.107
1994	0.174	0.191	0.141	0.119	0.137	0.093	0.140	0.160	0.110
1995	0.161	0.175	0.130	0.120	0.130	0.097	0.136	0.148	0.110

Sources: InterLATA Average Rate -- Hall Affidavit; InterLATA and IntraLATA Residential Rate -- PNR.
(IntraLATA Business Rate Estimated by Assuming Businesses and Residences Have Same Ratio of IntraLATA to InterLATA Rates)

	Residential Minutes (billions)			Business Minutes (billions)			Total Minutes (billions)		
	Total	InterLATA	IntraLATA	Total	InterLATA	IntraLATA	Total	InterLATA	IntraLATA
1990	113.7	71.4	42.3	232.4	154.0	78.4	346.1	225.4	120.7
1991	125.7	80.5	45.1	241.9	161.6	80.2	368.1	240.3	125.4
1992	138.9	90.6	48.0	251.7	169.5	82.1	391.6	242.8	130.2
1993	153.5	102.0	51.2	262.0	169.5	84.0	416.6	261.6	135.3
1994	169.7	114.9	54.5	272.7	177.9	85.9	443.1	290.6	140.5
1995	187.5	129.4	58.1	283.8	195.9	87.9	471.3	325.3	146.0
Annual Growth Rate (1990-95)	$\boxed{0.100}$	0.119	0.063	$\boxed{0.040}$	0.048	0.023	0.062	0.073	0.038

Sources: Calculations for 1995 = Revenues/Rates for Each Category.
Other Years Calculated in Response to Assumptions Concerning Growth Rates of Total Minutes for Residences and Total Minutes for Residences (Inputs in Boxes)

Appendix 2

Table 3

CALCULATION OF AVERAGE REVENUE PER MINUTE, 1990-

	Residential Expenditures (bill. $)			Business Expenditures (bill .$)			Total Expenditures (bill. $)		
	Total	InterLATA	IntraLATA	Total	InterLATA	IntraLATA	Total	InterLATA	IntraLAT
1990	20.5	14.4	6.2	36.3	25.4	10.9	56.8	42.6	14.2
1991	21.5	15.3	6.2	35.2	25.0	10.2	56.7	42.5	14.2
1992	24.0	17.3	6.7	32.0	23.0	9.0	56.0	42.0	14.0
1993	24.9	18.2	6.7	33.0	23.4	9.6	57.9	43.4	14.5
1994	29.6	21.9	7.7	32.4	24.4	8.0	62.0	46.5	15.5
1995	30.2	22.7	7.6	34.0	25.5	8.5	64.2	48.2	16.1

Sources: Total Expenditures = Long-Distance Revenues (Census) - International Billed Revenues(FCC)
- International Settlement Receipts (FCC)
Business/Residential Split based on Census data for Long-Distance Revenues
IntraLATA is Assumed to Equal 0.30 of Total in 1990, Declining to 0.25 in 1995

	Residential Rates ($/min.)			Business Rates ($/min.)			Average Rates ($/min.)		
	Total	InterLATA	IntraLATA	Total	InterLATA	IntraLATA	Total	InterLATA	IntraLAT
1990	0.163	0.189	0.123	0.156	0.170	0.131	0.159	0.189	0.107
1991	0.158	0.181	0.121	0.146	0.158	0.122	0.150	0.177	0.105
1992	0.163	0.184	0.127	0.127	0.138	0.106	0.140	0.173	0.102
1993	0.156	0.174	0.123	0.126	0.140	0.112	0.137	0.166	0.103
1994	0.171	0.188	0.137	0.119	0.139	0.092	0.139	0.160	0.108
1995	0.161	0.175	0.130	0.120	0.130	0.097	0.136	0.148	0.110

Sources: InterLATA Average Rate -- Hall Affidavit; InterLATA and IntraLATA Residential Rate -- PNR.
(IntraLATA Business Rate Estimated by Assuming Businesses and Residences Have Same
Ratio of IntraLATA to InterLATA Rates)

	Residential Minutes (billions)			Business Minutes (billions)			Total Minutes (billions)		
	Total	InterLATA	IntraLATA	Total	InterLATA	IntraLATA	Total	InterLATA	IntraLAT
1990	125.7	75.9	49.8	232.4	149.5	82.8	358.1	225.4	132.7
1991	136.2	84.4	51.4	241.9	157.8	83.8	378.3	240.3	135.2
1992	147.5	93.9	53.0	251.7	166.6	84.8	399.7	242.8	137.8
1993	159.8	104.5	54.6	262.0	166.6	85.8	422.3	261.6	140.5
1994	173.1	116.3	56.3	272.7	175.8	86.9	446.1	290.6	143.2
1995	187.5	129.4	58.1	283.8	195.9	87.9	471.3	325.3	146.0

Sources: Calculations for 1995 = Revenues/Rates for Each Category.
Other Years Calculated in Response to Assumptions Concerning Growth Rates of Total
Minutes for Residences and Total Minutes for Residences (Inputs in Boxes)

Annual Growth Rate (1990-95)	0.080	0.107	0.031	0.040	0.054	0.012	0.055	0.073	0.019

I hereby swear, under penalty of perjury, that the foregoing is true and correct, to the best of my knowledge and belief.

/s/

Robert Crandall

Subscribed and sworn before me this 3rd of July, 1997.

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Notary Public

My Commission expires: ______________________________

I hereby swear, under penalty of prejury, that the foregoing is true and correct, to the best of my knowledge and belief.

Leonard Waverman

Subscribed and sworn before me this .3rd..day....of....July...., 1997.

Notary Public
ANDREW NICHOLAS ROBINSON
Notary Public of the City of
London, England
My Commission expires with life.

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of Application of Ameritech Michigan Pursuant to Section 271 of the Telecommunications Act of 1996 to Provide In-Region, InterLATA Services in Michigan	)))))))))	CC Docket No. 97-137

Reply Affidavit of Patrick J. Earley on Behalf of Ameritech Michigan

BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

In the matter of	)	
	)	
Application of Ameritech Michigan	)	
Pursuant to Section 271 of the	)	CC Docket No. 97-137
Telecommunications Act of 1996 to	)	
Provide In-Region, InterLATA Services	)	
in Michigan	)	

REPLY AFFIDAVIT OF PATRICK J. EARLEY

STATE OF ILLINOIS	)
	) ss.
COUNTY OF COOK	)

I, Patrick J. Earley, being first duly sworn upon oath, do hereby depose and state as follows:

1. My name is Patrick J. Earley. I am the President of Ameritech Communications, Inc. ("ACI"), a wholly-owned subsidiary of Ameritech Corporation ("Ameritech"). ACI is the affiliate through which Ameritech will provide in-region, interLATA telecommunications services in Michigan pursuant to the Telecommunications Act of 1996 ("the Act").

2. I submitted an earlier affidavit in this proceeding. The purpose of this reply affidavit is to address the assertions of several commenters regarding ACI's (and Ameritech Michigan's) compliance with Sections 272(b) and (c)(2) of the Telecommunications Act of 1996. The reply affidavit of Paul La Schiazza discusses commenters' assertions regarding compliance with Sections 272(a), (c) and (g), while Richard E. Shutter addresses commenters' assertions

regarding compliance with the accounting and transactional safeguards of Sections 272(b) and (c).

3. The AOCs referred to herein are Illinois Bell Telephone Company (d/b/a Ameritech Illinois), Indiana Bell Telephone Company, Inc. (d/b/a Ameritech Indiana), Michigan Bell Telephone Company (d/b/a Ameritech Michigan), Ohio Bell Telephone Company (d/b/a Ameritech Ohio) and Wisconsin Bell Inc. (d/b/a Ameritech Wisconsin). Each is a "Bell operating company" ("BOC"), as defined in Section 3(4) of the Act.

Compliance with Section 272(b)(1)

4. In my earlier affidavit (¶¶ 11-14), I explained in detail how ACI and the AOCs maintain and will continue to maintain the requisite operational independence required by Section 272(b)(1) and the Non-Accounting Safeguards First Report and Order (CC Docket No. 96-149, FCC No. 96-489, released December 24, 1996).

5. TCG alleges that ACI will not, in fact, operate independently from Ameritech Michigan. TCG and its affiant, Dr. Teske, base this allegation on the fact that ACI will obtain various administrative services from Ameritech Corporation; Ameritech Services, Inc. ("ASI"); and, to a limited extent, Ameritech Michigan. (TCG Comments at 30; Teske Aff., ¶ 7.) This claim completely ignores the Non-Accounting Safeguards Order (¶¶ 156-70, 178-83), in which the Commission considered and rejected arguments that Section 272(b)(1) and/or (b)(3) prohibit a BOC and its Section 272 affiliate from sharing administrative services.

6. Specifically, the Commission determined that the "operate independently" requirement of Section 272(b)(1) precludes the joint ownership of transmission and switching

facilities, as well as the joint ownership of the land and buildings where those facilities are located. It held, further, that this provision generally bars (i) a BOC from obtaining from its section 272 affiliate operating, installation, and maintenance functions associated with the BOC's facilities, and (ii) the affiliate from obtaining such functions from the BOC or another BOC affiliate. None of the services cited in TCG's comments or Dr. Teske's affidavit fall into these categories. They are purely administrative, and therefore are permitted by the Non-Accounting Safeguards Order. Indeed, they would be permitted whether furnished by Ameritech Corporation, ASI or Ameritech Michigan.

7. To support his assertion that Ameritech Michigan and ACI share certain administrative services, TCG affiant Teske does not refer to Ameritech Michigan's Section 271 application, but rather to testimony presented in ACI's local certification proceeding before the Michigan Public Service Commission ("MPSC"). (Teske Aff., ¶ 7.) Perhaps Dr. Teske, by relying upon testimony from the MPSC proceeding, meant to imply that he had "unearthed" important information that Ameritech Michigan was attempting to withhold from the Commission. This implication is a false one; I included the very same information in ¶¶ 24-28 of my earlier affidavit. And in any event, as I explained above, the sharing of administrative services does not violate the Act.

Compliance with Section 272(b)(3)

8. I explained in my earlier affidavit (¶¶ 18-28) how ACI and Ameritech Michigan were complying with Section 272(b)(3) of the 1996 Act, which provides that "the separate affiliate required by this section . . . shall have separate officers, directors, and employees from

the Bell operating company of which it is an affiliate." I averred that no officer of ACI is currently an officer of an AOC or reports directly or indirectly to an officer of an AOC, and that none of ACI's employees is currently an employee of an AOC. In addition, I noted that because neither ACI nor any of the AOCs currently has a Board of Directors, no director of ACI is also a director of an AOC.

9. Some commenters maintain that ACI has not satisfied Section 272(b)(3). In particular, WorldCom, Sprint, and KMC Telecom argue that ACI does not satisfy the "separate director" requirement, while TCG argues that ACI does not have separate officers and employees.[1/] These charges are wrong.

10. In arguing that ACI fails to satisfy the separate director requirement, WorldCom, Sprint and KMC Telecom assert that Section 272(b)(3) requires that ACI and Ameritech Michigan each have its own board of directors. The argument is flatly inconsistent with the Non-Accounting Safeguards Order. In that Order, the Commission held: "We are persuaded by the arguments of the BOCs that the section 272(b)(3) requirement that a BOC and a section 272 affiliate have separate officers, directors, and employees simply dictates that the same person may not simultaneously serve as an officer, director, or employee of both a BOC and its section 272 affiliate." Non-Accounting Safeguards Order, ¶ 178.

11. TCG affiant Teske (¶ 9) suggests that "it is possible that one or more Ameritech affiliates contributed up to more than 200 employees for the benefit of ACI." This is wholly irrelevant. Nothing in the 1996 Act prohibits Ameritech Corporation employees from providing

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1/ WorldCom Comments at 45-46; Sprint Comments at 25-27; KMC Telecom Comments at 10-11; Teske Aff. (TCG), ¶ 9.

services to ACI, except to the extent those services relate to the operation, installation, or maintenance of ACI's network facilities (in which case they would be prohibited by Section 272(b)(1), as implemented by the Non-Accounting Safeguards Order). The Commission could not have been more explicit on this point: "We further conclude that section 272(b)(3) does not preclude the parent company of the BOC and the section 272 affiliate from performing functions for both the BOC and the Section 272 affiliate, subject to the requirements of section 272(b)(1)." Non-Accounting Safeguards Order, ¶ 182. As I noted in my previous affidavit (¶ 12), ACI has not at any time since release of the Non-Accounting Safeguards Order received from the AOCs or their non-Section 272 affiliates any operating, installation, and maintenance services in connection with ACI's switching and transmission facilities. Indeed, the only operating, installation, or maintenance services ACI has received from any AOC or AOC affiliate since enactment of the 1996 Act were services provided by Ameritech New Media, Inc. prior to issuance of the Non-Accounting Safeguards Order. These services are discussed in ¶ 12 of my previous affidavit.

12. Dr. Teske also claims that "while none of the ACI affiliate's officers are also currently officers with Ameritech Michigan, about 40% of ACI's officers went directly from Ameritech Michigan to ACI." This assertion is wholly inaccurate, as well as irrelevant. As an initial matter, none of ACI's officers were formerly officers or employees of Ameritech Michigan. But even if they were, this would be immaterial under Section 271(b)(3), provided such officers were not simultaneously officers of both companies.

13. Finally, I would like to correct some misstatements TCG made (pp. 33-34) regarding ACI's reporting relationships. The position of "ACI Regulatory Director" to which

TCG refers has been eliminated. The responsibilities formerly held by that position have been assumed by ACI's General Counsel, who now reports to the President of ACI and to Ameritech Corporation's General Counsel. In addition, the President of ACI reports to an Executive Vice President of Ameritech Corporation, not to a Vice President (as TCG maintains).

Compliance with Section 272(b)(4)

14. In my earlier affidavit (¶29), I explained how ACI has complied with Section 272(b)(4), which prohibits a Section 272 affiliate from "obtain[ing] credit under any arrangement that would permit a creditor, upon default, to have recourse to the assets of the Bell operating company."

15. TCG maintains that because ACI has represented in state proceedings that it will receive full financial backing from Ameritech Corporation, it has not complied with Section 272(b)(4). (TCG Comments at 30-31; Teske Aff., ¶ 10.) TCG and its affiant Dr. Teske have misread the statute. Specifically, Dr. Teske (¶ 10) describes Section 272(b)(4) as providing "that no separate affiliate may obtain credit under any arrangement that would permit a creditor recourse to the assets of the RBOC" (emphasis added). As I described above, however, what Section 272(b)(4) actually prohibits is not recourse to the assets of an RBOC, but rather to the assets of a BOC.

16. Thus, Section 272(b)(4) does not prohibit ACI from obtaining financial backing from Ameritech Corporation, its parent; rather, it prohibits ACI from obtaining financial backing from an AOC. ACI has not obtained financial backing from any AOC, and TCG has not offered

a shred of evidence to suggest that ACI has done so, or that representations in my earlier affidavit are false.

Compliance with Section 272(b)(5)

17. I described in my previous affidavit (¶¶ 30-41) how ACI complies with Section 272(b)(5), which requires long distance affiliates to "conduct all transactions with the Bell operating company of which it is an affiliate on an arm's length basis with any such transactions reduced to writing and available for public inspection" (emphasis added).

18. TCG affiant Dr. Teske (¶ 11) incorrectly alleges that ACI has violated Section 272(b)(5) with regard to "approximately $90 million in investments" that Ameritech Corporation had loaned to ACI. As he did with Section 272(b)(4), Dr. Teske misapprehends the scope of Section 272(b)(5) – he incorrectly believes that Section 272(b)(5) requires that a Section 272 affiliate "conduct all transactions with the RBOC with which it is affiliated on an arm's length basis, with all such transactions being reduced to writing and available for public inspection." (Teske Aff., ¶ 11.) Of course, Section 272(b)(5) only covers a Section 272 affiliate's transactions "with the Bell operating company," and not (as Dr. Teske believes) with an RBOC like Ameritech Corporation. Thus, Ameritech Corporation's investment in ACI, in which Ameritech Michigan did not take part, is not governed by Section 272(b)(5).

Compliance with Section 272(c)(2)

19. AT&T asserts that the AOCs should have disclosed the circumstances that led to ACI's deployment of switches in Troy, Michigan and Chicago. According to AT&T, the fact